2002 ANNUAL REPORT

Manitoba Civil Service Superannuation Board

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You may make an appointment to view any of the following at the Civil Service Superannuation Board (Board) office, Monday to Friday (except holidays) from 8:00 a.m. to 4:30 p.m.:

- a copy of The Civil Service Superannuation Act (Act) and all amendments
- the Annual Information Return submitted each year to the Pension Commission of Manitoba
- a copy of the latest Actuarial Valuation Report

Upon request, the Board will provide members, spouses or authorized representatives with detailed information and explanations regarding benefits payable in the event of a member's retirement, death, marriage separation, or termination of employment.

Individual Consultations

- private, personalized information service
- appointments should be made in advance to avoid delays

Pre-Retirement Planning Seminars

- one day sessions for employees planning to retire
- discussion includes benefits and lifestyle adjustment
- spouses are encouraged to attend

Benefit Information Seminars

- 2–3 hours duration
- focus on pension and group insurance

To arrange for any of the above services in your area please contact

1200-444 St. Mary Ave.
Winnipeg MB R3C 3T1

Telephone: (204) 957-8722
Fax: (204) 945-0237
Canada-Wide Toll-Free Number: 1-800-432-5134

World Wide Web page: www.cssb.mb.ca
E-mail: askus@cssb.mb.ca

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Letter to the Lieutenant Governor

May 16, 2003

To The Honourable Peter M. Liba
Lieutenant Governor of Manitoba

May It Please Your Honour:

As Minister Responsible, I have the privilege of presenting for the information of Your Honour, the 64th Annual Report of the Manitoba Civil Service Superannuation Board for the calendar year ended December 31, 2002.

Respectfully submitted,

HONOURABLE GREG SELINGER
Minister of Finance,
Minister Responsible for
The Civil Service Superannuation Act

Letter to the Minister

The Civil Service Superannuation Board
1200-444 St. Mary Ave. Winnipeg, Manitoba R3C 3T1 CANADA

May 16, 2003

Honourable Greg Selinger
Minister of Finance
Minister Responsible for
The Civil Service Superannuation Act
Room 103 Legislative Building
Winnipeg MB R3C 0V8

Sir:

In conformity with the provisions of The Civil Service Superannuation Act, I am pleased to forward to you, the Minister Responsible for The Civil Service Superannuation Act, the 64th Annual Report of the Manitoba Civil Service Superannuation Board.

This report covers the period January 1, 2002 to December 31, 2002 and includes a review of the Board's activities for that period as well as the Report of the Auditor General and attached audited financial statements for that period.

Respectfully submitted,

GARY N. COOPLAND, CHAIR
Civil Service Superannuation Board

Gary N. Coopland
Retired Vice-President Investments, The Great-West Life Assurance Company

Rod Bond (UNTIL JULY 31, 2002)
Barry Baltessen (EFFECTIVE AUGUST 1, 2002)
Manitoba Hydro – Electric Board
Manitoba Hydro Representative
Ray Erb
MGEU
Civil Service Representative
Denis Fitzpatrick
Interlake Regional Health Authority
Civil Service Representative
Susan Rusk
Intergovernmental Affairs
Civil Service Representative

Tom Bleasdale
Retiree
Gabriel Forest, F.C.A.
Chartered Accountant
Carmele Peter
Solicitor
Dr. Les Ullyot
Medical Doctor

Robert H. Covernton
General Manager
Allen Borle
Director, Finance
Robert Derksen
Director, Communications and Client Services
Dean Lash
Director, Investment Communications and Management Services
Robert Riddell
Director, Management Information Systems
Bruce Schroeder
Director, Client Services Administration

Lindsey Fuller, C.F.A.

Ellement and Ellement Ltd.

Gabriel Forest, F.C.A.
Chair, Chartered Accountant
Carmele Peter
Solicitor
Susan Rusk
Intergovernmental Affairs
Employee Representative

Gabriel Forest, F.C.A.
Chair, Chartered Accountant
Tom Bleasdale
Retiree
Ray Erb
MGEU
Employee Representative

Civil Service Superannuation Board

THE BOARD has the fiduciary responsibility for the administration of the Plan and management of the investment funds in the best interest of all present and future Plan members, pensioners and beneficiaries. It is also responsible to

- ensure that the staff fulfill the investment and administrative obligations set out in the Act and comply with the requirements of both the Pension Benefits Act of Manitoba and the Income Tax Act
- delegate the day-to-day management to the General Manager and staff
- provide overall direction and approval of policy items

These duties are vested in nine members, four of whom are elected by participating employees, and four members and a chairperson who are appointed by Government. The Board meets 10 to 12 times per year.

As the Plan trustee, the Board is required to

- manage the Civil Service Superannuation Fund (Fund) in accordance with the rules of the Pension Plan, governing legislation, and common law in the interest of Plan members and their beneficiaries
- obtain an actuarial valuation every three years
- regularly review its investment policy
- obtain an independent audit each year
- prepare an Annual Report

Organizational Structure

The day-to-day management of investment assets and delivery of pension and insurance benefits is accomplished by a dedicated and diverse team consisting of approximately 40 staff members.

Highlights

Civil Service Superannuation Board Annual Report

Highlights ($) THOUSANDS	2002	2001
Market Value of Investments	**$2,300,348**	**$2,240,470**
Net Investment Income	$28,356	$105,243
Investment Rate of Return	**1.5%**	**5.1%**
Employee Contributions	$71,526	$63,601
Employer Payments	**$77,794**	**$72,642**
Pension Benefits Paid	$154,417	$144,034
Refunds and Transfers	**$14,358**	**$13,829**
Administrative Expenses	$2,127	$1,803
Investment Expenses	**$2,490**	**$2,164**
Employees and Former Employees	27,867	27,601
Pensioners and Beneficiaries	**11,925**	**11,433**
Total Members	39,792	39,034

Message from the Chair

Gary N. Coopland

Investment results are the major contributor towards paying your benefits. The stability of these results was challenged for a second straight year as another unpredictable event — 2002's financial accounting debacles — dominated the global scene. While the world scrambles to learn and recover from this through more intense governance monitoring, the pain that the investment community felt may not be over. Unattractive equity valuations and ongoing poor global economic activity — likely heightened by political unrest and potential war — have and will continue to have a negative impact on equity markets.

The U.S. experienced a third straight year of negative equity returns — only paralleled twice during the 20th century. Fortunately for the Fund, the decision was made to reduce equities in general, favouring Canadian stocks over U.S. In Canada, while equity markets outperformed their U.S. counterpart by almost 50%, they too remained in negative territory by year's end. Your internal Canadian equity team outperformed the TSX (this time by almost 20%) through in-house management of the vast majority of the Fund's Canadian stocks! The bond market was the place to seek shelter during the year while interest rates impacted it positively. A great deal of the Fund's premium performance was a direct result of limiting equity exposure, something many institutional investors failed to do. The real estate market's fine returns were a result of investors fleeing from stocks into its relative comfort. This increased competition for real property resulted in higher values. The purchase of some more Winnipeg real estate properties during the year shows the commitment to participating in local investment when prudent opportunities arise. This is also evidenced by the fact that the Board took an

active role in 2002 in creating a new Manitoba Investment Fund. It is anticipated that it will provide local economic development and above-average returns for the Fund.

Diligence with which your entire Investment team operates to research and analyze global markets coupled with the prudence exercised by the Board's Investment Committee resulted in another incredible year of Fund performance, earned during a period when most other public sector plans produced negative results. Your Fund earned a positive 1.5% while its policy benchmark was negative 3.9%. This active management of the pension assets produced $122 million more than achieving what the benchmark target would have produced.

Board staff keep informed of legislative changes, are eagerly involved with advanced educational programs and skill enhancements, and work enthusiastically with members to provide accurate and timely information. These efforts are a testament to the pride and commitment that this team exhibits daily.

Long-term investment performance coupled with excellent benefits administration is what we're about. The Board's confidence in how the Fund is managed is very strong. The Board and I want to thank management and staff for rising to the challenge, as always, and for contributing their skills and determination to the administration of an efficient and extremely well managed benefits program.

GARY N. COOPLAND
Chair

General Manager's Message

Robert H. Covernton

Your Board is comprised of a group of talented and committed individuals whose purpose is to ensure the continued security of the pension promise to all Plan members and their beneficiaries. Working to ensure cost-efficient administration of this promise is a staff of highly skilled individuals who are dedicated to packaging and delivering this promise to you and more than 39,000 other employee members and pension recipients.

To ensure the pension promise is met now and in the future, the CSSB invests money based on a Statement of Investment Policies and Procedures maintaining a diversified portfolio that positions the Fund for growth over the long-term while keeping risk within acceptable limits. While many plans have produced negative returns over the last year your Fund performed relatively well by the active management of its asset mix. Investments returned positive 1.5% (5.1% – 2001) which far exceeded their benchmark of a negative 3.9%. This translates into $122 million more than achieving what the benchmark would have produced. Looking at performance over a longer timeframe, as we should be in terms of pension plans, investments earned 6.5% on average each year over the last five and more than 9.0% in the last ten.

For more than a decade, we have surveyed plan members who attend meetings at the office, at retirement planning sessions, information sessions, or out of town one-on-one interviews to determine their degree of satisfaction. The results continue to indicate a very high degree of satisfaction with the personal services we offer and also allows us to track improvements, identify areas for further improvement, and better develop new services to meet member needs.

In early 2002 we introduced the "Online Pension Estimator", the interactive portion of our web site which permits members to perform pension calculations from the comfort and privacy of

their own home. This has reduced the time for estimates from days to just minutes. Member response has been exceptional with members running over 24,000 individual estimates in 2002. We remain committed to providing superior service and utilizing leading edge technology to complement — not replace our existing services.

Sound member data is integral to the prompt, accurate, and efficient administration of pension benefits. We utilize in-house developed computerized systems to update, maintain, and ensure the integrity of our data.

We need to be mindful of our future commitments to funding both the Basic Pension Benefit and the Cost-of-Living Program. In times of economic uncertainty we must continue to be cautious and prudent in the administration of both of these plans and balance short-term experience with the long-term commitment of the pension promise. On a moving five year average basis, we have virtually matched our actuarial requirement. This is outstanding given the investment environment during the period.

While we have enjoyed a period of outstanding investment returns over the past decade, we know that there can be some tough times along the way and we keep this in mind, remaining cautiously optimistic in our day-to-day work.

Pension security means a pension benefit all members can count on in the future, as well as having quick access to reliable information and prompt personal service that meets their immediate needs, allows them to make intelligent informed decisions, and assists them in planning for their future. With our website, online estimator, newsletters, seminars, individual consultations and other initiatives, we're providing members with better access to important information in a variety of user friendly ways. We also remain committed to ongoing training and development of our staff while continuing to evolve and expand our ability to provide cost-effective plan administration.

ROBERT H. COVERNTON
General Manager

Investment Committee

Members of the Investment Committee are appointed by the Lieutenant Governor in Council based on their investment expertise, legislative requirements or, in the case of the employee representative, elected by the employee representatives of the Board.

G. N. Coopland – Chair, Investment Committee** and CSSB
(retired Vice-President Investments,
The Great-West Life Assurance Company)

R. E. Archer – Retired Executive Vice-President Investments and Trusts,
Investors Group (past CSSB Chair)*

R. H. Covernton – General Manager, CSSB**

C. E. Curtis – Retired Deputy Minister of Finance, Province of Manitoba*

R. Erb – MGEU (employee representative)**

J. P. Gannon – Deputy Minister of Finance, Province of Manitoba**

S. Susinski – Financial Advisor*

The Investment Committee also manages the assets of the Manitoba Hydro Employer Fund and three Centra Gas portfolios. Manitoba Hydro appointed the following person as their representative to those committees in conjunction with the above members.

V. Warden – Vice-President, Finance and Administration and
CFO, Manitoba Hydro-Electric Board

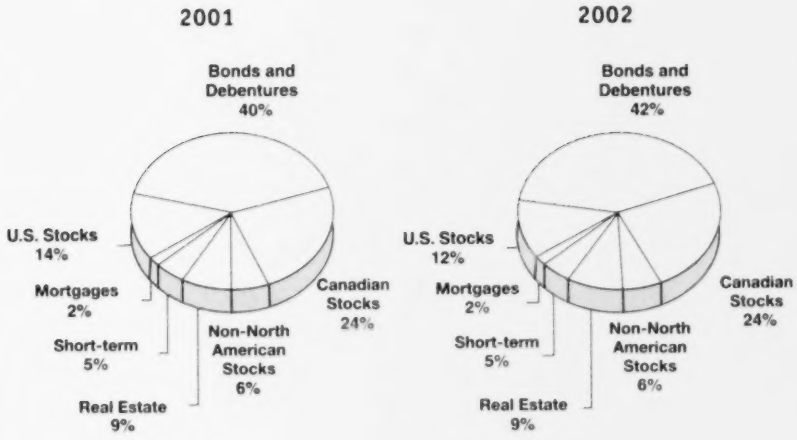
* appointed based on investment expertise
** required by legislation

Investment decisions are guided by the Fund's Statement of Investment Policies and Procedures (SIP&P) which is established by the Fund's Board. The SIP&P includes such parameters as asset mix, investment quality, holding limits, investment objectives, valuation procedures and the investment management structure. The single most important determinant of pension fund performance is asset mix. Different risk elements relating to market volatility and potential returns are factored into an investment decision.

Investments that produce lower returns generally are a result of lower risk or volatility. In order to optimize returns and reduce investment volatility, Fund assets are diversified among the various asset classes, including short-term investments, bonds and debentures, and equities, as well as across the world's economic regions.

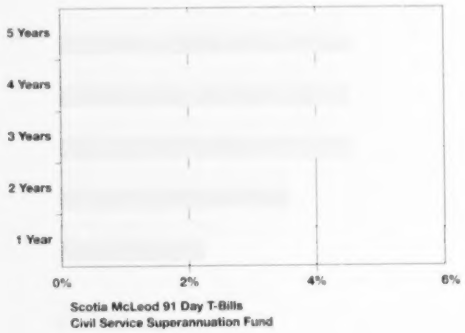
Ultimately, the success of the Fund's investment policy is measured by how it meets the long-term obligations to its members. The best way to measure this obligation is to use the actuarial valuation for the Fund, which is provided every three years. Performance of your Fund investments over a five-year moving average exceeded actuarial requirements until this year. A return to more normal investment returns, particularly on stocks, would result in this shortfall being temporary. The following chart illustrates how well the investment performance has met this test. The chart shows the five-year moving average of the Fund's returns in comparison with the actuarial required return that will provide for the Fund's long-term obligations.

To ensure compliance with established guidelines, the asset mix of the Fund is constantly monitored by the Chief Investment Officer and reviewed monthly by the Fund's Investment Committee. The Fund had the following asset mix as a percentage of the total investments at market value:

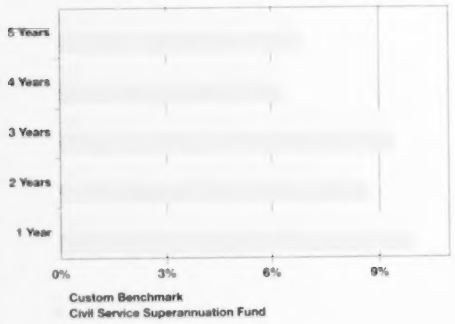


The total Fund rate of return was 1.5% compared to a benchmark return of negative 3.9%. Approximately 40% of the outperformance was due to asset mix decisions such as the general underweighting of equities and the overweighting of our value based internal portfolio managers. The remaining 60% was due to security selection, in which the internal managers played a large part.

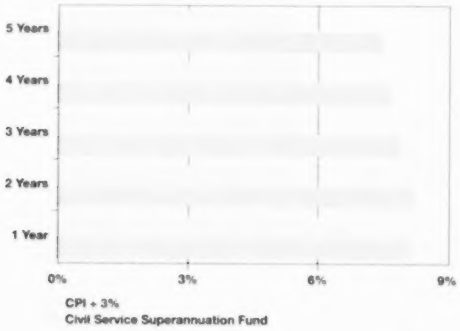
The cash and short-term component of the portfolio returned 2.3% in 2002.



The bond portfolio returned 10.0% for the year, exceeding the benchmark by 50 basis points. As equities deteriorated throughout the year, investors sought the relative safety of the bond market. This demand, combined with easing monetary policy, resulted in lower yields and capital gains as prices improved.



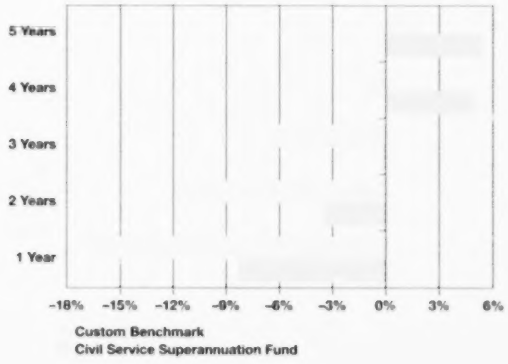
As a result of the new SIP&P adopted in 1999, real return investments were designated as a vehicle to fund the Cost-of-Living Account for future benefits. The investments held in this part of the portfolio yielded 8.2% in 2002 versus its benchmark of 6.9% for the same period.



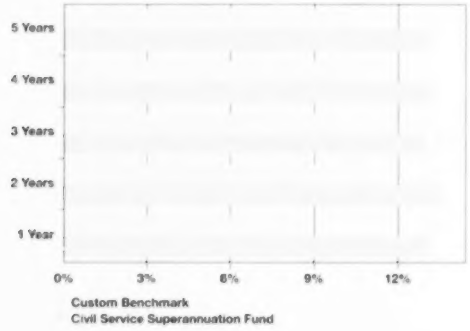
The indices used to measure the performance of the Fund's stock portfolio are Canada's S&P/TSX 5% Capped Index (S&P/TSX 5% Cap), the U.S. Standard & Poor's 500 Index (S&P 500) and The Morgan Stanley Capital International Index for Europe, Australia and Far East (MSCI EAFE). Based on the Fund's SIP&P, an assumed equity mix of 24% Canadian, 16% U.S. and 9% EAFE countries for total Fund assets is considered normal. As a percentage of total equity investments, this translates into 49% Canadian, 33% U.S. and 18% EAFE countries. This is referred to as the benchmark for total equities.

The Fund's equity assets performed relatively well in a difficult year, delivering a total return of negative 8.3% compared to a policy benchmark of negative 16.7%. The Fund's internal managers were the main factor behind this relative success. Their focus on value and low exposure to speculative technology issues was very effective. The Fund's overweighting to the non-Japan areas of Asia also produced good relative returns.

Generally, high energy prices through the year delivered very strong cash returns on the Fund's oil and gas investments. Further investments in this area are anticipated in 2003.



The Fund's real estate holdings provided a very good return of 13.0%. One major new development was begun late in the year, although attractively valued properties are becoming very difficult to find. Mature properties are being selectively sold when market conditions create the opportunity for premium prices.



Investing For Growth and Stability

Fund Investments

($) THOUSANDS	2002	2001
Contractual Investments		
Cash and Short-term	**$123,931**	$102,244
Bonds and Debentures		
Canadian/Federal/Provincial	**613,692**	632,996
Corporate	**339,015**	251,834
Asset-backed	**11,955**	4,271
Mortgages		
NHA	**38,252**	36,640
Conventional	**7,323**	11,505
Pooled	**665**	644
Equity Investments		
Canadian Stocks	**553,767**	549,944
U.S. Stocks	**262,102**	304,118
Non-North American Stocks	**145,038**	143,448
Real Estate	**204,608**	202,826
Total Investments	$2,300,348	**$2,240,470**

relatively high cash reserves were maintained during the year awaiting more reasonably priced stocks

maintained an underweight position in U.S. and international markets

maintained an underweight position in overvalued technology stocks

opportunistically increased the Fund's exposure on attractive real estate investments

maintained an overweighting in non-Japan Asian equities

The year 2002 proved to be the third nasty year in a row for equity investments. Only bonds, real estate, and cash, areas where the Fund has significant exposure, provided positive returns. Our strategic underweighting of U.S. and international equities added significant relative value for the third year in a row. Our close to maximum policy exposure to real estate also added value that was enhanced by the very strong performance of the properties in the portfolio. Another superior performance by our internal Canadian equity team significantly mitigated the negative impact of weak Canadian equity markets. The Fund's privately owned oil and gas company, Superman Resources, benefited from strong commodity prices and favourable exploration activity to produce a 25.6% return. Taken together, the Fund returned 1.5% versus an expected benchmark return of negative 3.9%, an outperformance of 536 basis points. This compares to 2001's return of 5.1%, an outperformance of 456 basis points versus the expected benchmark return. Unfortunately, good relative returns don't pay pension liabilities. Higher equity returns in the future will be required to achieve returns in line with actuarial requirements.

With the Canadian market being an exception, this was one of the few times where major markets have declined for three straight calendar years. Worldwide technology and telecom stocks continued to lose value as the massive overinvestment and overvaluation of stocks continued to unwind. We have remained cautious, as we believe this is an atypical slowdown/recession compared with most since the Second

World War. The roots of this slowdown were in the overinvestment and misallocation of capital in technology whereas previous recessions were driven by higher interest rates and reduced demand for capital intensive items. It will take an extended period of time to unwind these excesses. We feel the recovery will be disappointing, as high debt levels will limit increased consumption, which in turn will limit profit growth. Strong profit growth, or the prospect of it, is necessary to rekindle business capital investment.

On a broader basis, we find it difficult to identify a catalyst for higher world growth aside from China and China is not yet big enough to serve as the engine to pull the rest of the world along. China's effect on the world is twofold. The positive, a very strong domestic growth profile, is adding to world demand for a wide range of commodities. This effect is most noticeable in the Asian region in foodstuffs but is also evident in minerals and oil. The negative is the deflationary impact of a huge cost of production advantage, which results in the "hollowing out" of the manufacturing sector in many developed and developing countries. This is also starting to be an issue in the service sector.

The past year's revelations of misbehavior at Enron, Worldcom, Arthur Andersen, and others highlighted our previous concerns about the degree of risk in the financial system. We still feel there is the potential for further surprises and therefore remain somewhat cautious.

We do not believe it is reasonable to continue to expect the historically high rates of return from stock investments experienced during the 1990's. Large, established economies such as Canada and the U.S. just do not grow at much above 3%, inflation adjusted, over longer time periods. Economy wide corporate profits generally track economic growth, thus a resumption of double digit stock returns in the major economies should prove difficult to achieve.

The Fund's balance between high quality bond investments, a value oriented bias to stock investments, and a mix of real estate and direct oil and gas investments should continue to work well in achieving the Fund's objective of earning relatively high returns while assuming moderate levels of risk.

Our Plan is a "defined benefit" plan which means that your pension is based on a formula that provides pension, disability, death and termination benefits for all eligible members. The formula is based on your years of service and average salary. Being a defined benefit plan means that a fixed percentage of salary is contributed yearly by participating members. For these contributions, pension benefits are earned. While some employers presently match employee contributions, others are obligated to fund their share of benefits paid in the future.

Investment returns are not directly related to the amount of pension a member will receive. Good investment returns are necessary to secure the Fund's ability to continue to meet its current and future obligations to pay benefits, and are the major contributor to surplus.

The Plan allows for retirement after age 55 assuming the member has at least ten years of qualifying service. Unless the person is age 60 or older, or has achieved the Rule of 80 (age plus service), there is a reduction for early retirement. Members who reach age 65 may receive a pension providing they have at least one year of service.

All employees who are employed full time are required to join the Plan. Seasonal and part-time employees are required to join after meeting an earnings test (when they have earned 25% of the Yearly Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan in each of two successive calendar years).

The Board offers the following services to members and their families, financial planners, solicitors, etc.:

Members can meet with Board staff in Winnipeg and rural areas to discuss pension and insurance benefits. Laptop computers allow for services similar to those provided at the Board office in Winnipeg to be offered in rural areas like Brandon and Dauphin. Members are encouraged to bring anyone they wish to these meetings, like a spouse or financial planner.

The pre-retirement planning seminar program is a one-day session designed for employees who are beginning to plan for retirement. They are presented in major centers throughout Manitoba for groups of 15 to 30 people, and we encourage members to bring their spouses. The focus of these seminars is on pension and insurance benefits offered through the Board, although the presentation and course materials also include information on Federal benefits, estate planning, use of leisure time, and health considerations.

The employee information seminars focus on pension and insurance benefits, such as eligibility, entitlement to benefits, family protection, disability, death, marriage separation, etc. They are presented to groups of 15 to 250 employees of the government and its related boards, commissions, and agencies, and last for two to three hours.

Board staff are available to answer questions by way of phone and written communication.

The Board has a website and online web estimator, allowing members to view general information and get detailed personalized information at their convenience.

Highly qualified staff are available to meet your information needs with respect to enrollment, retirement, disability, termination and pension projections for estate and retirement planning.

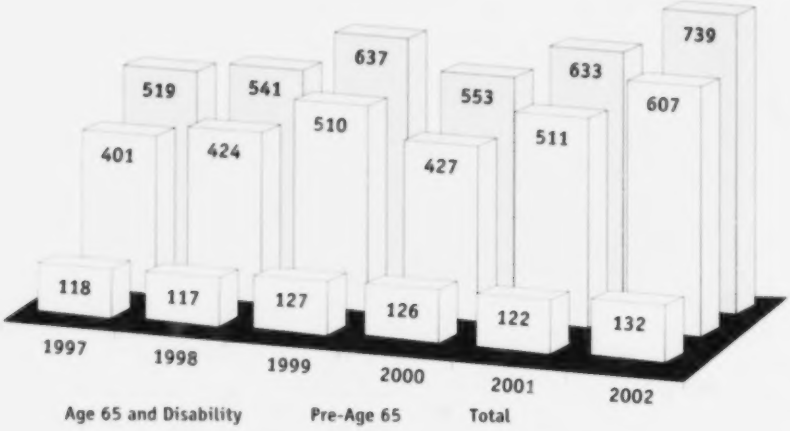
We ask that you have your employee number ready when calling the office and that you make an appointment prior to visiting to assist us in serving you better.

During 2002

total members increased by 758 to 39,792

employees/former employees participating in the Fund increased by 266 to 27,867

pensioners/beneficiaries increased by 492 to 11,925



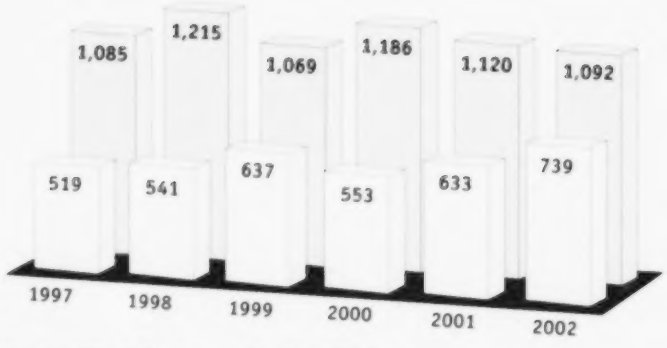
Employees/Former Employees

The distribution of employees/former employees by employer as at December 31, 2002 was as follows:

	Males	Females	Total
Non Matching Employers			
Province of Manitoba Civil Service	6,944	7,064	14,008
Liquor Control Commission	267	229	496
Addictions Foundation of Manitoba	84	166	250
Assiniboine Community College	117	152	269
Manitoba Agricultural Credit Corporation	30	33	63
Manitoba Horse Racing Commission	2	3	5
Regional Health Authorities			
Brandon	76	230	306
Burntwood	2	23	25
Central	28	110	138
Interlake	10	84	94
Marquette	7	47	54
Norman	2	38	40
Nor-man	-	1	1
North Eastman	4	29	33
Parkland	21	82	103
South Eastman	4	31	35
South Westman	9	52	61
Winnipeg	28	265	293
The Council on Post-Secondary Education	2	9	11
Total Non Matching	**12,792**	**11,316**	**24,108**
Matching Employers			
Civil Service Superannuation Board	18	25	43
Economic Innovation and Technology Council	-	1	1
Industrial Technology Centre	21	7	28
Manitoba Chicken Producers	1	3	4
Manitoba Government and General Employees' Union	24	30	54
Manitoba Housing Authority	167	117	284
Manitoba Milk Producers	6	15	21
Manitoba Pork Council	7	5	12
National Agri-food Technology Centre	7	11	18
Total Matching	**439**	**338**	**777**
Other			
Deferred Pension Accounts	1,248	1,348	2,596
Manitoba Reciprocal Agreements	127	78	205
Total Other	**1,440**	**1,542**	**2,982**
TOTAL	**14,671**	**13,196**	**27,867**

11,925 pensioners/beneficiaries were receiving pension benefits at the end of 2002

$154 million was paid in pensions during 2002



employees contributed $71.5 million to the Fund compared to $63.6 million in 2001

employers paid $77.8 million to the Fund compared to $72.6 million in 2001

89.8% of your contributions fund basic pension and beneficiary benefits

10.2% of your contributions are allocated for cost-of-living benefits

You and your employer share in the cost of the Plan. Each year you contribute the following:

6% up to Canada Pension Plan maximum earnings ($39,100 in 2002)

7% on earnings in excess of that amount

Employer payments include

approximately 50% of pensions paid and Commuted Value transfers for terminations, marriage separations, and deaths for non-matching employers

payments made by matching employers

10.2% of employee contributions and matching employer payments go to a separate indexing account to fund cost-of-living increases (COLA)

the account funds approximately half the COLA increase while employers pay their share

pensioners and beneficiaries receive an annual increase to a maximum of 2/3 of the increase in the Canadian Consumer Price Index (CPI)

the COLA paid July 1, 2002 was .47%

COLA Concerns

Funding of Pension Benefits

The Fund's net assets available for benefits are primarily funded by

investment income

employee contributions

employer payments

These assets are used to finance the payment of the Funds' portion of the basic pension, the indexing benefits, and the employers' share for several matching employers.

The majority of employers are non-matching and defer payment of their share of pension benefits until the benefit is paid.

The Fund consists of two separate accounts

1. Basic Benefits Account

   finances the Fund's share of the basic pension benefit calculated as at a specific date (i.e. retirement, termination or death)

2. Indexing Benefits Account

   has been specifically established to finance the Fund's share of cost-of-living benefits paid to members

   10.2% of employee contributions and matching employer payments are credited annually to this Account

   The cost-of-living benefit payments are limited to the extent that the indexing account is able to finance its share of each increase. Legislation limits the maximum annual cost-of-living adjustment to 2/3 of the increase in the CPI until the account can prefund anticipated adjustments for the next 20 years.

The net assets available to finance pension benefits, the obligations for pension benefits, and any surplus in the Basic Benefits Account and the funds available to finance future cost-of-living adjustments as at December 31, 2002 are summarized below.

	Fund	Non-Matching Employers	Obligations Total
1. Net Assets Available (Net of Actuarial Reserves)			
Basic Benefits Account	$2,119,347	See Note Below	
Indexing Benefits Account	125,115		
Total	**$2,244,462**		
2. Actuarial Obligations for Pension Benefits			
Basic Benefits Account (including future benefits)	$2,119,347	$1,665,025	$3,784,372
Indexing Benefits Account	98,803	94,047	192,850
Total	**$2,218,150**	**$1,759,072**	**$3,977,222**
3. Actuarial Position/Funds Available			
Basic Benefits Account		See Note Below	
Indexing Benefits Account (funds available to finance future adjustments)	26,312		
Total	$26,312		

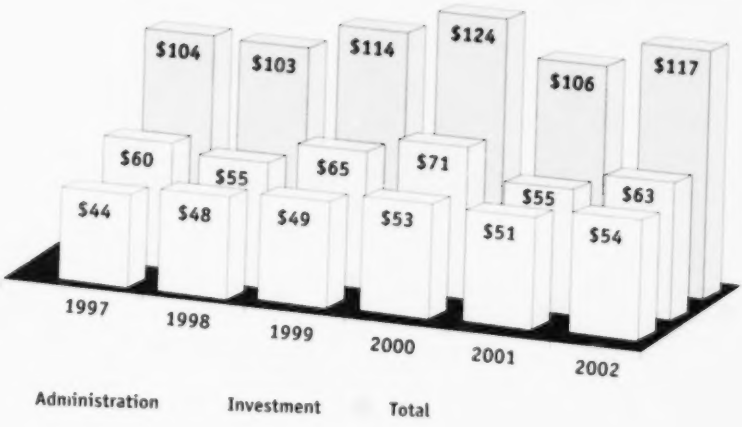
Please refer to Notes 4 and 5 of the Audited Financial Statements for additional information.

Note: The non-matching employer's portion of the pension liability is unfunded for most employers.

Please refer to Schedule 2 of the Audited Financial Statements for additional information.

Administration and Investment Cost

The Board's annual administration and investment cost per member continues to be one of the lowest for complex defined benefit plans. The total annual cost per member for 2002 was $117 consisting of $54 for administration and $63 for investment related expenses.



Six-Year Comparative Statistics *for The Civil Service Superannuation Fund*

Highlights	1997	1998	1999	2000	2001	2002
($) THOUSANDS						
Market Value of Investments	**$1,708,396**	**$1,839,504**	**$1,965,239**	**$2,140,549**	**$2,240,470**	**$2,300,348**
Investment Rate of Return	10.5%	8.5%	7.8%	9.8%	5.1%	1.5%
Employee Contributions	**$45,670**	**$48,096**	**$49,308**	**$52,250**	**$63,601**	**$71,526**
Employer Payments	59,250	62,712	65,911	70,693	72,642	77,794
Total Contributions/Payments	**$104,920**	**$110,808**	**$115,219**	**$122,943**	**$136,243**	**$149,320**
Pension Benefits Paid	**$108,031**	**$113,721**	**$118,724**	**$129,437**	**$144,034**	**$154,417**
Refunds and Transfers	$14,588	$15,739	$16,412	$16,310	$13,829	$14,358
Administrative Expenses	**$1,565**	**$1,716**	**$1,671**	**$1,973**	**$1,803**	**$2,127**
Investment Expenses	$2,117	$1,980	$2,398	$2,664	$2,164	$2,490
Employees and Former Employees	**25,432**	**25,827**	**26,177**	**26,380**	**27,601**	**27,867**
Pensioners and Beneficiaries	9,896	10,266	10,697	10,999	11,433	11,925
Total Members	**35,328**	**36,093**	**36,874**	**37,379**	**39,034**	**39,792**
Refunded/Transferred Members	1,085	1,215	1,069	1,186	1,120	1,092
Retirements	**519**	**541**	**637**	**553**	**633**	**739**

Management Report

The accompanying financial statements of the Civil Service Superannuation Fund are the responsibility of management and have been prepared in accordance with the accounting policies stated in the notes to the financial statements. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to safeguard the assets of the Fund. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to March 4, 2003.

The firm of Ellement and Ellement Ltd., consulting actuaries, has been appointed as consulting actuary for the Fund. The role of the actuary is to complete the triennial actuarial valuations of the Fund in accordance with actuarial practice and estimate the obligations for benefits for inclusion in the annual financial statements.

The Auditor General performs an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards. The resulting opinion is set out in the Auditors' Report attached to the financial statements.

Ultimate responsibility for the financial statements rests with the members of the Board. The Board established a Finance and Audit Committee to meet with Board staff and representatives of the Auditor General. It is the responsibility of the Finance and Audit Committee to review the financial statements, ensure that each group has properly discharged its respective responsibilities and make a recommendation to the Board regarding approval of the financial statements. The auditors have full and unrestricted access to the Board and to the Finance and Audit Committee.

The Board has reviewed and approved these financial statements.

On behalf of Management,

ROBERT H. COVERNTON
General Manager

ALLEN BORLE
Director, Finance

Report of the Office of the Auditor General
ON THE CIVIL SERVICE SUPERANNUATION FUND

Office of the Auditor General
500 – 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

Auditor's Report

To the Legislative Assembly of Manitoba and
To the Members of the Civil Service Superannuation Plan

We have audited the statement of net assets available for benefits of The Civil Service Superannuation Fund as at December 31, 2002 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of The Civil Service Superannuation Fund as at December 31, 2002 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
March 4, 2003

Jon W. Singleton, CA•CISA
Auditor General

THE CIVIL SERVICE SUPERANNUATION FUND

Statement of Net Assets Available for Benefits

AS AT DECEMBER 31, 2002

($) THOUSANDS	2002	2001
ASSETS		
Investments, Schedule 1, Note 2(b)	$2,300,348	$2,240,470
Capital assets	63	62
Debt due from the Province of Manitoba, Note 7	1,826	1,826
Receivables	1,803	1,725
Accrued dividends and interest	15,839	11,195
Total assets	**2,319,879**	**2,255,278**
LIABILITIES		
Accounts payable and accrued liabilities, Note 16	1,182	1,187
The Province of Manitoba Unfunded Pension Liability Trust Account, Note 11	73,688	17,631
Manitoba Telecom Services Inc. in trust, Note 15	63	363
Correctional Officers' Trust Account, Note 8	1,921	1,623
Employer Trust Accounts, Note 9	30,116	29,587
Money Purchase Accounts Plan, Note 10	7,954	7,597
Total liabilities	**114,924**	**57,988**
Net assets available for benefits, Exhibit B	**$2,204,955**	**$2,197,290**

Chairperson of the Board

Chairperson, Finance and Audit Committee

Statement of Changes in Net Assets Available for Benefits

FOR THE YEAR ENDED DECEMBER 31, 2002

($) THOUSANDS	2002			2001
	Basic Benefits Account	Indexing Benefits Account	Total	Total
Increase in assets				
Contributions, Schedule 2, Note 1(b)				
Employees	$64,800	$6,726	$71,526	$63,601
Employers	77,638	156	77,794	72,642
Total contributions	**142,438**	**6,882**	**149,320**	**136,243**
Net investment income, Schedule 3	24,453	3,903	28,356	105,243
Employer liability funding, Note 14	–	–	–	521
Other	74	–	74	100
Total increase in assets	**166,965**	**10,785**	**177,750**	**242,107**
Decrease in assets				
Pension benefits paid	143,796	10,621	154,417	144,034
Refunds and transfers	14,358	–	14,358	13,829
Administrative expenses, net, Note 12	1,111	–	1,111	945
Transfer to employer trust accounts	199	–	199	123
Total decrease in assets	**159,464**	**10,621**	**170,085**	**158,931**
Increase in net assets	**7,501**	**164**	**7,665**	**83,176**
Net assets available for benefits at beginning of year, previously reported	2,048,804	145,357	2,194,161	2,112,754
Adjustment for refunds and transfers payable, Note 17	3,505	–	3,505	1,736
Employee future benefits obligations, Note 16	(376)	–	(376)	(376)
Net assets available for benefits at beginning of year, restated	2,051,933	145,357	2,197,290	2,114,114
Increase in net assets	7,501	164	7,665	83,176
Net assets available for benefits at end of year, Exhibit A	**$2,059,434**	**$145,521**	**$2,204,955**	**$2,197,290**

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2002

The following description of the Civil Service Superannuation Plan (the Plan) is a summary only. For more complete information reference should be made to the Civil Service Superannuation Act (the Act).

(a) General

The Civil Service Superannuation Board (the Board) and the Civil Service Superannuation Fund (the Fund) were established under the Act in May 1939. The Board is responsible for administering the Act. The Act defines the basis of funding and the operation of the Plan as a defined benefit plan, which provides pension benefits to employees of the Government of the Province of Manitoba and its agencies participating in the Plan.

(b) Funding

The Act requires that employees contribute 6% of pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and 7% of pensionable earnings above that maximum each year. In accordance with the Act, 89.8% of the employee contributions are allocated to the Basic Benefits Account and 10.2% are allocated to the Indexing Benefits Account.

Under provisions of the Act non-matching employers defer contributing their share of employee pension benefits until they are billed for 50% of the benefit payments processed. As a result of the December 15, 2000 amendments to the Act, non-matching employers will not be billed for the cost of the pension formula improvement. The matching employer contribution rate remains unchanged at 5.1% on pensionable earnings up to the CPP maximum pensionable earnings and 7% of pensionable earnings above that maximum each year.

The Fund's net assets available for benefits are primarily comprised of contributions from employees and matching employers together with investment income. These assets are intended to finance the Fund's portion of the Plan's actuarially determined obligation for pension benefits accruing to employees for service to the date of these financial statements. The non-matching employers' portion of the obligation for pension benefits as shown in Note 4 is unfunded.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2002

One-half of the cost-of-living benefit payments are charged to the Indexing Benefits Account. All other benefit payments are charged against the Basic Benefits Account. The recovery of the non-matching employers' share is credited to the Basic Benefits Account.

The cost-of-living benefit payments are limited to the extent that the amount in the separate Indexing Benefits Account is actuarially able to finance one-half of that payment. Legislation limits the maximum annual adjustment to two-thirds of the increase in Consumer Price Index (Canada) until the Indexing Benefits Account can pre fund anticipated adjustments for the next twenty years.

(c) Pension Calculation

The lifetime pension calculation equals:

(i) 2% of a member's best five-year average pensionable earnings multiplied by pensionable service

(ii) minus .4% of the average CPP maximum pensionable earnings for the same period multiplied by pensionable service since January 1, 1966

The lifetime pension is subject to an overall maximum of 70% of the average earnings described in (i) above. Some pensions for members retiring prior to age 60 are subject to an early retirement reduction.

(d) Excess Contributions

On termination, retirement or death, if a member's contributions plus interest (less 10.2% allocated to the Indexing Benefits Account) exceed 50% of the commuted value of the pension for service after December 31, 1984, the excess contributions are payable to the member or the member's estate.

(e) Retirement

A member with ten or more years of qualifying service is eligible to retire at age 55.

A member with one or more years of qualifying service is eligible to retire at age 65.

All members must commence pension benefits no later than the last day of the calendar year in which the member attains 69 years of age.

Eligible members of the Province of Manitoba's Corrections Component may retire as early as age 50.

(f) Disability Pensions

A member with ten or more years of qualifying service is eligible to apply for a disability pension.

(g) Survivor's Benefits

A survivor's benefit is payable to a spouse or eligible survivor(s) of a member who dies with two or more years of qualifying service.

(h) Death Refunds

A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to the full extent of the individual's contributions plus interest. In a similar manner, a death refund is payable to the estate of a member where no survivor's pension is paid.

(i) Withdrawal Refunds

Upon application and subject to lock-in provisions, withdrawal refunds are payable when a member ceases to be employed by a participating employer. Members with two or more years of qualifying service may choose to leave their contributions in the Plan as a vested member.

(j) Income Taxes

The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

(k) Money Purchase Accounts Plan

The Board administers and maintains a separate Money Purchase Accounts Plan on a trust basis as provided for in the Act.

The significant accounting policies are summarized below:

(a) Basis of Presentation

The financial statements are prepared on a going-concern basis as a separate financial reporting entity, in accordance with Canadian generally accepted accounting principles. They are prepared to assist participants and others in reviewing the activities for the fiscal year.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2002

(b) Investments

Investments are recorded at fair value on a trade date basis. Fair values of investments are determined as follows:

Fixed Income

(i) Short-term investments are valued at market, which approximates cost.

(ii) Bonds and debentures are valued at market by independent sources.

(iii) National Housing Act (Canada) and other mortgages are valued based upon the present value of future discounted cash flows. Pooled mortgage funds are valued at market by the external manager.

Equity

(i) Publicly traded securities are valued at year end market prices as listed on the appropriate stock exchange.

(ii) Real estate investments are valued at the most recent appraisals or external manager's valuations of the underlying properties.

(iii) Petroleum and natural gas shares are valued based upon the discounted present value of proven petroleum and natural gas reserve information provided by external managers or are reflected at cost until such information is made available.

(iv) Venture capital investments are based on values established by the external managers or at cost where no valuation has been prepared.

(v) The Fund has subsidiaries, which are not consolidated but are included in the Summary of Investments, Schedule 1. Included in real estate shares are shares of fifteen subsidiaries whose value in aggregate totals $117,704,499. Included in petroleum and natural gas shares are shares of one subsidiary valued at $63,277,113.

(c) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

(d) Foreign Currency Translation

The fair value of investments denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at year-end and the resulting change is included in the change in fair value of investments. Revenue and expense transactions are translated at the

exchange rates prevailing on the dates of the transactions and are included in investment income at the translated amounts.

(e) Capital Assets

Computer equipment costing less than $1,000 and all furniture purchases are charged to operations in the year of acquisition. Mid-range computer equipment cost is amortized over 5 years and microcomputer equipment cost is amortized over 3 years.

Fair values of investments are exposed to interest rate risk, credit risk and currency risk.

Interest rate risk refers to the impact of interest rate changes on the Fund's cash flows, financial position and income. To limit the exposure to interest rate fluctuation and to obtain the best possible return at acceptable risk, the Board established an investment asset mix policy of 45% fixed income and 55% equity.

The term to maturity and related market values of fixed income investments are as follows:

Term to maturity	2002	2001
($) THOUSANDS		
Less than one year	$ 133,563	$ 109,776
One to five years	336,484	269,077
Over five years	664,786	661,281
Total fixed income investments	**$1,134,833**	**$1,040,134**

Credit risk is the risk of loss from the failure of a counter party to discharge its contractual obligations. The Board limits credit risk by concentrating on high quality securities and adhering to a Statement of Investment Policies and Procedures. The Policy establishes investment ownership limits and acceptable credit ratings. For example, 95% of bonds and debentures must be rated single A or higher.

Currency risk relates to the possibility that foreign currency-denominated investments will change in value due to future fluctuations in foreign exchange rates. The Fund does, from time to time, hedge some of this exposure. As at December 31, 2002 external fund managers had entered into forward foreign exchange contracts valued at $5,795,029 (2001 – $7,168,286) on behalf of the Fund.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2002

4. Obligations for Pension Benefits

(a) Obligation for pension benefits

(i) Basic Benefits Account

In accordance with the Act, an Actuarial Valuation Report is required every three years. The stated purpose of the actuarial valuation is to:

- determine the financial position of the Fund as at the valuation date,
- determine the adequacy of the contributions being received in relation to the portion of the benefits financed by the Fund, and
- provide recommendations as to the future course of action based on the financial position revealed.

The triennial Actuarial Valuation Report on the Fund was completed as at December 31, 2001 by Ellement and Ellement Ltd., consulting actuaries.

The actuarial present value of the accrued basic pension benefit obligations, based on service to date, was estimated by the actuary as at December 31, 2002. The principal components of the changes in actuarial present value during the year were calculated and are as follows:

Basic Benefits Account

($ THOUSANDS)	Fund 2002	Non-Matching Employers 2002	Total 2002	Total 2001
Actuarial present value of accrued basic pension benefit obligations based on service to date, beginning of year	**$1,808,940**	**$1,424,071**	**$3,233,011**	**$3,025,413**
Experience loss(gain)	65,210	97,866	163,076	-
Adjusted beginning of year	**1,874,150**	**1,521,937**	**3,396,087**	**3,025,413**
Benefits accrued	70,054	56,889	126,943	113,586
Benefits paid	**(80,715)**	**(77,638)**	**(158,353)**	**(149,873)**
Interest on accrued benefits	126,145	102,030	228,175	210,509
Change in actuarial reserves	**19,897**	**16,158**	**36,055**	**33,376**
Actuarial present value of accrued basic pension benefit obligations based on service to date, end of year	$2,009,531	$1,619,376	$3,628,907	$3,233,011

The non-matching employers' portion of the accrued basic pension benefit obligation is unfunded. These non-matching employers defer contributing their share of employee pension benefits until they are billed for 50% of the benefit payments processed. Under the terms of the December 15, 2000 amendments to the Act, non-matching employers will not be billed for the cost of the pension formula improvement that was effective from September 1, 2000.

The Actuarial Valuation Report and the estimate at December 31, 2002 were based on the same set of assumptions. The actuary has introduced some additional reserves during the estimate period to provide for possible adverse deviations not explicitly identified in the Valuation. These assumptions were chosen for each of the factors that will affect the Fund financially in future years. Each assumption is based on relevant past experience studied over long periods of time to produce more reliable information.

Significant long-term actuarial assumptions used in the December 31, 2001 Valuation and in the determination of the present value of the accrued basic pension benefit obligations were:

Annual rate of return

(i) inflation component	2.75%
(ii) real rate of return	4.00%
	6.75%

Annual salary escalation rates

(i) general increases	
a) inflation component	2.75%
b) productivity component	0.75%
	3.50%

(ii) service, merit and promotional increases*

*the rates used vary by age groupings from a high of 3.0% to a low of 0%

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2002

(ii) Indexing Benefits Account

The most recent annual Actuarial Valuation Report on the Indexing Benefits Account was prepared by Ellement and Ellement Ltd., consulting actuaries, as at December 31, 2001. The actuarial present value of the accrued indexing pension benefit obligations was estimated by the actuary as at December 31, 2002 and is as outlined below. The actuarial assumptions used are the same assumptions used for the Basic Benefits Account, except the annual rate of return is 6.25%.

Indexing Benefits Account

($) THOUSANDS	Fund	Non-Matching Employers	Total	Total
	2002	2002	**2002**	2001
Actuarial present value of accrued indexing pension benefit obligations, beginning of year	**$95,592**	**$93,156**	**$188,748**	$161,802
Experience loss(gain)	1,475	(761)	714	(639)
Adjusted beginning of year	**97,067**	**92,395**	**189,462**	**161,163**
Cost-of-living accrual effective July 1	3,870	3,684	7,554	33,098
Benefits paid	**(10,621)**	**(10,110)**	**(20,731)**	**(19,372)**
Interest on accrued benefits	5,977	5,689	11,666	11,998
Change in actuarial reserves	**2,510**	**2,389**	**4,899**	**1,861**
Actuarial present value of accrued indexing pension benefit obligations, end of year	$98,803	$94,047	$192,850	$188,748

(b) Fund's Asset Valuation

The actuary adjusts net assets available for benefits to smooth investment gains (losses) over five years and to recognize amounts reserved for future indexing benefits.

The actuarial asset values used in the estimate of the Fund's pension obligations were:

($) THOUSANDS	Basic Benefits 2002	Indexing Benefits 2002	Total 2002	Total 2001
Net assets available for benefits, Exhibit B	**$2,059,434**	**$145,521**	**$2,204,955**	**$2,194,161**
Amount reserved for future indexing benefits	–	(20,406)	(20,406)	(21,531)
Adjustment for the actuarial value of assets	**59,913**	**–**	**59,913**	**(86,615)**
Actuarial value of net assets available for benefits	$2,119,347	$125,115	$2,244,462	$2,086,015

5. Additional Actuarial Information

(a) Total Actuarial Pension Liabilities For The Basic Benefits Account

The actuary determines the actuarial liability for net future service as a component in the actuarial valuation completed for funding purposes. The total actuarial Basic Benefit pension liabilities at December 31, 2002 have been estimated based on service to date and net future service as follows:

($) THOUSANDS	Fund 2002	Non-Matching Employers 2002	Total 2002	Total 2001
Service to date, Note 4	**$2,009,531**	**$1,619,376**	**$3,628,907**	**$3,233,011**
Net future service	109,816	45,649	155,465	213,666
Total actuarial pension liabilities	**$2,119,347**	**$1,665,025**	**$3,784,372**	**$3,446,677**

(b) Basic Benefits Actuarial Position (Fund Only)

The Fund had an estimated going concern actuarial position that was in balance as at December 31, 2002 (2001 – $19,042,000 surplus) in the Basic Benefits Account, after including pension benefit obligations for service to date and for future service actuarial liabilities.

(c) Indexing Benefits Actuarial Surplus (Fund Only)

The funds available to finance future cost-of-living increases in the Indexing Benefits Account were estimated to be $26,312,000 as at December 31, 2002 (2001 – $22,496,000).

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2002

Readers should refer to the latest audited employer financial statements, including financial statements of the Government of the Province of Manitoba and its participating agencies, to determine how employers fund pension obligations.

Under Section 24(1) of the Act, the Province of Manitoba assumed an accrued liability of $1,826,000 for its employees and pensioners as at May 1, 1939. The Province of Manitoba pays semi-annual interest at 4% per annum on this amount.

Effective November 19, 1996 employees who are members of the Province of Manitoba's Corrections Component are required to contribute an additional 1% of pensionable earnings. These additional contributions are credited to this trust account and are intended to fund the additional pension benefits for eligible employees who may retire as early as age 50 with no reduction for early retirement providing the total of age and qualifying service equals 75 or greater.

The Fund is responsible for providing enhanced benefits enacted in the 1992 legislation agreed to by the Employee Liaison Committee and the Employer Pension Advisory Committee. These benefits are 100% financed from the Fund's net assets available for benefits. To facilitate this funding, trust accounts were established for non-matching employers participating in the Fund for their share of the actuarial valuation of these future benefit enhancements. Specific contributions from eligible employees are being transferred to the applicable trust account.

Effective January 2, 1985 a separate Money Purchase Accounts Plan was established to enhance the portability of pensions. Contributors include employees, recipients of superannuation allowances, annuities or pensions payable under the Act, or persons on whose behalf the Board is required or requested to transfer moneys to this Plan. Refunds are made upon written request by the contributor. Administrative costs are recovered by the Board.

The Balanced Budget, Debt Repayment and Taxpayer Protection Amendment and Consequential Amendments Act (the Act) came into effect on August 18, 2000. This Act requires the Province of Manitoba (the Province) to establish a fund and to make payments to the established fund.

Under the terms of a March 6, 2001 agreement between the Province and the Board, the Province established a fund with the Board and the Province is making the required payments to this fund. As well, the Province is making payments to this fund that are related to the Special Operating Agencies unfunded pension liabilities. Payments received by the Board from the Province are held by the Board in trust for and on behalf of the Province and are invested by the Board on behalf of the Province. The payments received are not assets of the Plan and accordingly, they are accounted for by the Fund in the Unfunded Pension Liability Trust Account. This trust account earns investment income at a rate of return equal to the rate of return earned by the Fund. The Board receives an investment management fee for its services. The payments made by the Province to the Board do not reduce the accrued pension benefit obligations of the Fund.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2002

12. Administrative Expenses

($) thousands	2002	2001
Salaries and fringe benefits	$2,192	$1,988
Professional fees	**107**	**126**
Office and administration	779	831
	3,078	**2,945**
Less: recoveries from other administered funds		
regular administration	(943)	(930)
one-time administrative recoveries	(8)	(212)
Fund administrative expenses	**2,127**	**1,803**
Less: recoveries from non-matching employers	(1,016)	(858)
Administrative expenses, net	**$1,111**	**$945**

13. Managed Investment Funds

The Board acts as investment manager for other funds, which are separate and have been excluded from these financial statements.

The fair values of these other funds under administration on a trade date basis at December 31 are:

($) thousands	2002	2001
The Manitoba Hydro Pension Fund	**$469,633**	**$465,457**
Joint Board of Trustees of The Municipal Employees Benefits Program	276,299	278,309
The Public Service Group Insurance Fund	**102,356**	**100,236**
Centra Gas Manitoba Inc.	45,412	48,416
Workers Compensation Board of Manitoba	**10,121**	**–**
	$903,821	**$892,418**

The Board recovers its administrative costs for this service by charging an investment management fee, which is deducted from investment management expenses in Schedule 3.

14. Employer Liability Funding

During 2001, The Manitoba Development Corporation funded, in total, the actuarial present value of all prior accrued basic and indexing pension obligations.

On January 1, 1997, Manitoba Telephone System became a publicly traded corporation named Manitoba Telecom Services Inc. (MTS) and it assumed all responsibility for pension benefit payments for its employees and former employees. The transfer of assets to the new MTS plan was negotiated in the amount of $423,946,413 and was determined in accordance with the Pension Assets Transfer regulation, based on the December 31, 1996 actuarial valuation of the Fund. The Board continues to administer, on behalf of MTS, certain investments, which were included in the value of assets transferred to MTS.

For the year ended December 31, 2002 the Fund has adopted the accounting policy of accruing the liability for employee future benefits. Prior to January 1, 2002 the Fund did not accrue these liabilities. As a result, the net assets available for benefits at the beginning of the 2002 year have been reduced by $375,800 representing the total amount of the liability as at December 31, 2001. The total liability is included in accounts payable and accrued liabilities in the Statement of Net Assets Available for Benefits.

For the year ended December 31, 2002 the Fund has corrected the balance of accounts payable and accrued liabilities by eliminating the refunds and transfers payable. The liability related to refunds and transfers payable is included in the actuarially determined obligation for pension benefits, therefore it does not need to be included in accounts payable and accrued liabilities. As a result, the net assets available for benefits at the beginning of the 2002 year have been increased by $3,504,640 (2001 – $1,736,640) representing the total amount of the liability as at December 31, 2001.

Comparative figures for the year ended December 31, 2001 have been restated to conform to the presentation adopted for the current year.

Summary of Investments

AS AT DECEMBER 31, 2002

($ THOUSANDS)	2002	2001
Fixed income investments		
Cash and short term		
Government and corporations	$123,931	$102,244
Bonds and debentures		
Government of Canada	–	387,120
Province of British Columbia	–	3,690
Province of Manitoba	–	15,352
Province of New Brunswick	–	8,137
Province of Nova Scotia	–	8,263
Province of Ontario	–	107,778
Province of Quebec	–	58,450
Province of Saskatchewan	–	9,559
Government of Northwest Territories	–	1,961
Municipal	–	7,038
Mortgage backed securities	–	25,650
Corporations	–	251,834
Asset backed securities	–	4,271
Pooled fund	964,662	–
Mortgages		
National Housing Act (Canada)	5,501	3,379
Other	7,323	11,505
Pooled funds	665	644
Index-linked	32,751	33,261
Total fixed income investments	**1,134,833**	**1,040,134**
Equity investments		
Common stock		
Foreign	–	25,524
Pooled funds		
Domestic	486,996	490,556
Foreign	407,140	422,042
Real estate		
Participating bonds	67,071	69,032
Shares, Note 2(b)(v)	137,268	132,098
Units of pooled real estate	206	1,333
Administered for		
Manitoba Telecom Services Inc., Note 15	63	363
Petroleum and natural gas shares, Note 2(b)(v)	63,277	56,691
Venture capital	3,494	2,697
Total equity investments	**1,165,515**	**1,200,336**
Investments, Exhibit A	**$2,300,348**	**$2,240,470**

THE CIVIL SERVICE SUPERANNUATION FUND

Schedule of Contributions

FOR THE YEAR ENDED DECEMBER 31, 2002

	2002			
	Employees	Employers	Total	
Non-matching employers, Note 1(b)				
Manitoba Hydro-Electric Board	19,044	16,029	**35,073**	32,525
Manitoba Public Insurance Corporation	1,973	3,516	**5,489**	5,126
Communities Economic Development Fund	64	54	**118**	85
Manitoba Agricultural Credit Corporation	167	177	**344**	333
Manitoba Horse Racing Commission	5	9	**14**	45
Regional Health Authorities				
Brandon	-	775	**775**	744
Burntwood	-	53	**53**	58
Central	-	345	**345**	328
Interlake	-	259	**259**	272
Marquette	-	135	**135**	164
Nor-Man	-	101	**101**	84
North Eastman	-	96	**96**	87
Parkland	-	266	**266**	285
South Eastman	-	110	**110**	111
South Westman	-	155	**155**	149
Winnipeg	-	836	**836**	836
The Council for Post Secondary Education	41	35	**76**	70
Workers Compensation Board	35	-	**35**	37
Total non-matching employers	$77,490	$64,216	**$141,706**	$132,636

Schedule of Contributions

FOR THE YEAR ENDED DECEMBER 31, 2002

($) THOUSANDS	2002			2001
	Employers	Employees	Total	Total
Total non-matching employers, continued	**$77,490**	**$64,216**	**$141,706**	**$132,636**
Matching employers, Note 1(b)				
Civil Service Superannuation Board	142	156	**298**	**197**
Crown Corporations Council	20	22	42	42
Economic Innovation and Technology Council	2	2	**4**	**20**
Gaming Control Commission	36	40	76	76
Industrial Technology Centre	83	93	**176**	**191**
Manitoba Arts Council	11	13	24	22
Manitoba Chicken Producers	10	11	**21**	**21**
Manitoba Crop Insurance Corporation	353	400	753	736
Manitoba Government and General Employees' Union	182	202	**384**	**399**
Manitoba Hazardous Waste Management Corporation	4	4	8	8
Manitoba Housing Authority	426	486	**912**	**872**
Manitoba Lotteries Corporation	94	106	200	222
Manitoba Milk Producers	47	50	**97**	**93**
Manitoba Pork Council	45	52	97	100
Manitoba Pork Marketing Co-op Inc.	32	34	**66**	**46**
Manitoba Turkey Producers' Marketing Board	5	6	11	11
National Agri-Food Technology Centre	41	47	**88**	**83**
Total matching employers	1,533	1,724	**3,257**	**3,139**
Other				
Employees on leave	1	2	3	25
Employees on workers compensation	-	4	**4**	**3**
Reciprocal agreement — transfers in	-	851	851	1,781
Reciprocal agreement — transfers out	(1,230)	(1,500)	**(2,730)**	**(2,530)**
Repayment of contributions previously refunded	-	117	117	12
Contributions based on prior non-pensionable employment	-	5,732	**5,732**	**818**
Transfer from Money Purchase Accounts Plan	-	380	380	339
Total other	(1,229)	5,586	**4,357**	**468**
Total contributions, Exhibit 8	$77,794	$71,526	**$149,320**	**$136,243**

THE CIVIL SERVICE SUPERANNUATION FUND

Schedule of Investment Income

FOR THE YEAR ENDED DECEMBER 31, 2002

	2002	2001
Fixed income		
	13,008	14,416
	59,169	57,552
	3,539	3,921
Total fixed income	**65,716**	**65,889**
Equity income		
	32	282
	18,726	18,490
	15,351	13,618
	6,618	15,919
Total equity income	**41,357**	**48,309**
	(14,802)	(4,392)
Gross investment income	**32,271**	**109,806**
Less:		
	2,490	2,169
	714	556
	21	71
	555	1,334
	108	378
	27	—
	3,915	**4,563**
Net investment income, Exhibit B	**$28,356**	**$105,243**

Manitoba